

A MODEL OF SUSTAINABLE GROWTH BASED ON THE KNOWLEDGE ECONOMY, RESPECT FOR THE ENVIRONMENT AND SOCIAL PROGRESS

SPANISH POSITION ON THE LISBON STRATEGY POST-2010

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1. Results of the renewed Lisbon Strategy

2. Recommendations for the new Lisbon Strategy post-2010

2.1 Objectives

2.2 Priorities

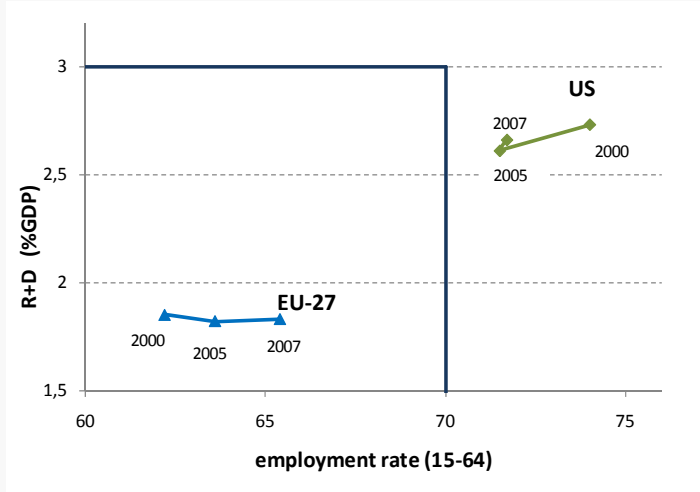
2.3 Implementation of the strategy in its Community dimension

2.4 Governance

1. Results of the renewed Lisbon Strategy

- Focus on growth and jobs
- Some progress on both employment and R&D targets, although still far from achieving the goals.
- The USA leads the UE in both metrics.

Progress towards the quantitative objectives of the renewed Lisbon Strategy: 2000-2007



- Scant convergence with the US in income per capita due to the lack of relative improvement in our productivity.
- In contrast, Europe has moved ahead in employment rate.

**Breakdown of growth in income per capita:
EU vs. US**

| EU27/US | GDP per capita | Productivity per hour | Hours per employed | Employment rate | Demographic factor (*) |
|---------|----------------|-----------------------|--------------------|-----------------|------------------------|
| 2000 | 63.0 | 77.8 | 93.5 | 81.5 | 106.2 |
| 2005 | 64.1 | 75.0 | 94.4 | 86.6 | 104.4 |
| 2007 | 65.5 | 73.7 | 97.1 | 88.0 | 104.0 |

*) Population (15-64) / Total Population.

To ensure sustained long-term growth in income per capita, action should be taken in the policies most closely linked to productivity growth.

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Recommendations for the new Lisbon Strategy post 2010: **Objectives**

- Maintain as core objectives of the Strategy the **job creation** and **economic growth**
- Sustainable growth over the long term in 3 dimensions to address the facing challenges:

Model based on innovation: globalisation

Environmentally-sustainable low-carbon model: climate change

Socially-sustainable model: ageing while guaranteeing quality full employment, equal opportunities and social cohesion

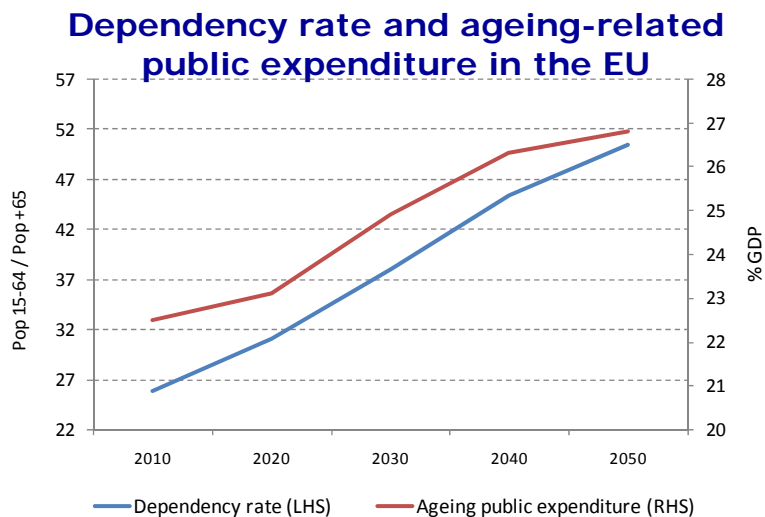
It is essential to keep the number of quantitative objectives small. We propose:

- Attain **70%** employment
- Increase R&D expenditure to **3%** of GDP
- Achieve the environmental sustainability objectives agreed for the EU for 2020 (20/20/20): reduce greenhouse gas emissions by at least 20%, ensure that 20% of energy consumption comes from renewable sources and improve energy efficiency by 20%.

The new Lisbon Strategy should become one of the key tools for economic recovery.

Guarantee budgetary stability

- Necessary to return to a trend of adjustment of public accounts (after the European Economic Recovery Plan fiscal effort) while devoting greater attention to improve the quality of public finances.
- Goals:
 - Budgetary consolidation effort at European level to favour growth and jobs
 - More efficient and equitable tax systems
 - Pluriannual national budgetary frameworks associated with credible consolidation efforts



and financial stability

- Undertake reforms in the most vulnerable areas of the financial system, following the principles of the G-20 summits.
- Set out clear rules for preserving market forces and competition.
- Develop a credible strategy for governments to roll back their presence in the financial sector.

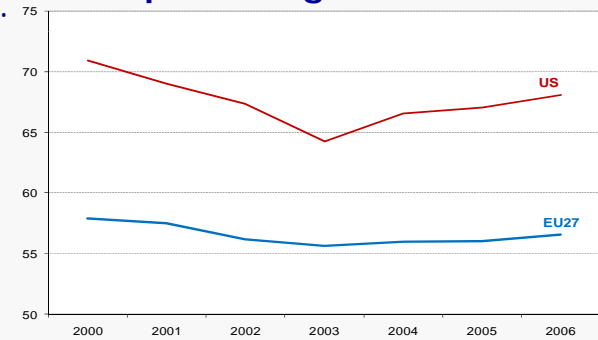
A renewed focus on innovation

It should continue to be a priority, with special emphasis on:

- ***Investment in corporate R&D and technological development:***

- Increase basic research by the public sector;
increase public-private cooperation and
increase funding at national and Community level.

Private-sector R&D expenditure as a percentage of GDP



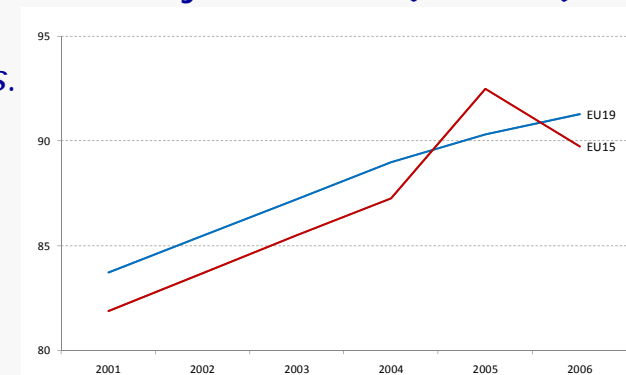
- ***Promote the development of emerging technological sectors*** (biotech, ICT, energy efficiency, alternative energy sources)
- ***Development of the information society:***
 - Support business development; promote electronic public services; intensify efforts to bridge the "digital divide"; and promote new generation networks.
- ***Innovation in SMEs:***
 - Scientific intermediaries as providers of technological services; invest in platforms; and expand services to support non-technological innovation.

Invest in human capital, modernise the labour market and strengthen the European social model

Education and training:

- *Improve adaption of skills to labour market needs.*
- *Reduce the early school leaving rate and improve education quality.*
- *More university graduates and more excellent universities.*
- *Lifelong learning (improve the quality and outcomes of both regulated education and non-regulated education).*

% of the population aged 25-34 which has completed at least compulsory secondary education (US=100)



Modern labour framework capable of adapting to the challenges of ageing and globalisation, strengthening simultaneously the European social model:

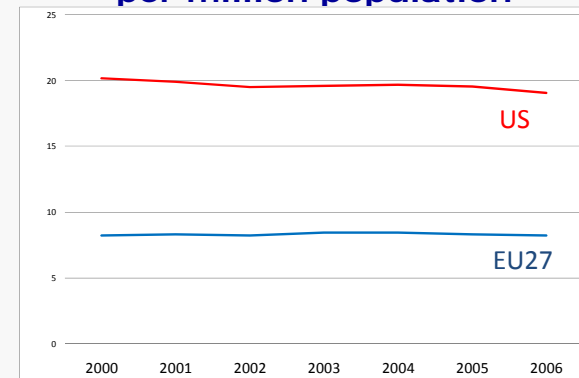
- *Making balanced progress with flexibility and security.*
- *Strengthening the European social model.* Adapt to the demographic and technological changes, accelerate the incorporation of women into the labour market, facilitate social inclusion and become more efficient in its functions.
- *Advancing in flexibility* (companies more flexible and workers better trained)

Energy security and the fight against climate change:

This fight must be based on:

- reduction of CO2 emissions,
- use of renewable energies, and
- energy saving and efficiency.

**Evolution of CO2 emissions
per million population**



The next step must be to achieve an ambitious agreement under which the EU's emission reduction targets could be increased to 30% with international agreement.

It also needs specific policies:

- *A major increase in energy infrastructure* both to improve interconnections between Member States and to diversify the types of energy that the EU imports as well as its geographic origins
- *Greater and better energy planning at Community level*, including improved information exchange and transparency
- *Enhancement of the internal market* through the development of a regulatory framework that fosters competition and long-term investment in the sector.

Deepening the integration of the Single European Market and better legislation

- Attaining a true single market requires *implementing reforms to improve competition and reduce barriers to entry* in the markets in goods, services, people and capital.
- *Such reforms must be coordinated at EU level*, particularly in those areas which generate externalities for other Member States or produce major scale economies and gains in efficiency.
- It is also vital to *make renewed efforts to simplify and reduce red tape* both at EU level and in the Member States.

It is necessary to implement reforms to:

- complete the internal market in services
- increase people's mobility and knowledge
- improve the application of legislation
- improve the coordination of immigration, energy and infrastructure policy
- increase coordination between national regulators and market supervisors.

**Degree of market integration
(manufactures inter-state trade as % of GDP)**

| Year | EU-27 | US |
|------|-------|-------|
| 1997 | 16.0% | 83.6% |
| 2002 | 19.1% | 80.2% |
| 2007 | 21.4% | 85.7% |

Additionally, two specific priorities:

Enhance the external dimension

Necessary to adopt agreements with our main trading partners:

- *A commitment to avoid protectionism.* Ensure access to third-country markets in fair trading conditions, relying both on multilateral channels and bilateral and regional channels. Particular sensitivity towards developing countries.
- *Climate change.* The world's leading economies and the emerging markets have to contribute in the same direction.

Advance in the alignment of the European budget with the new priorities of the Lisbon Strategy

The process of "Lisbonising" the budget must be done progressively without abandoning traditional EU policies (cohesion policy and the CAP).

- *The review of policy and financing should advance in parallel to avoid disfunctionalities.*
- *Priority should be given to those policies that contribute to attain objectives of the EU, and those that generate positive externalities, synergies and multiplier effects.*

The Strategy should make clear progress in governance.

It is vital to improve multilateral supervision mechanisms.

Greater political commitment to achieve the objectives

- *The time horizon should be 2020 (with intermediate review of the IG in 2015).*
- *Specific quantitative objectives should be established for each Member State, apart from maintaining Community-level quantitative objectives.*
- *Necessary to increase the presence of European issues and of Community policy in the national debate within the Member States:*
 - Greater participation by the various agents in development and monitoring the strategy, exploiting the possibilities derived from deepening the social dialogue and dialogue with organizations in civil society.
 - Greater participation in national parliaments by the European Commission and other participants.

More effective supervision of the reforms

- *Greater use of evidence-based tools both to enhance the identification of reforms and to evaluate their progress.*
- *Use of indicators and benchmarking as a means of incentivizing reforms.* At the same time, benchmarking can become an important source of visibility for the overall Lisbon Strategy post-2010.
- *Improve the process of multilateral supervision* (better initial assessment by the Commission; greater peer pressure for implementation of the structural reforms commitments).